







Wi-5 Reporter Question and Answer Session September 20, 2007 9:30 a.m. EST

Penny Kozakos: Good morning. My name is Penny Kozakos. I'm the Media Coordinator for the Redesigned Currency Public Education Program.

And it's my pleasure to welcome you to the on-line Q&A session for the Wi-5 digital unveiling. Thank you all for your strong interest in the Redesigned Currency Program. We developed this on-line press conference to be sure that journalists have all the information they need to report on the new \$5 bill.

We also received a high level of interest from people representing stakeholder groups like financial institutions and manufacturers of self-checkout machines, and as a result we have more than 100 guests registered to join us today.

Everyone is welcome to listen to the discussion, but I need to remind all participants that the floor for questions will be opened only to reporters.

Reporters, feel free to submit your questions now. Just type your question into the window on your screen and hit the "submit" button.

As you know, the U.S. Government unveiled the design for the new \$5 bill 30 minutes ago on the Redesigned Currency website www.moneyfactory.gov/newmoney.

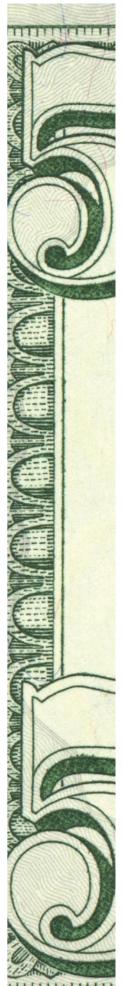
This was the first time the U.S. Government has unveiled a new money design completely on-line. We hope you took a few minutes before joining us to watch the unveiling video and read the press release.

There are also a number of other digital elements available on the site that you will find useful in your reporting. These include a full press kit, several podcasts, a complete broll package and an interactive \$5 bill that demonstrates the updated security features.

We hope you take the time after the press conference to download these. They're found in the media center and in the multi-media download section of the website.

At today's press conference, we have four senior officials from the government agencies responsible for the Redesigned Currency Program to take your questions:

Treasurer of the United States, Anna Escobedo Cabral; Director of Bureau of Engraving and Printing, Larry Felix; Assistant Director of the Division of Reserve Bank Operations and Payment Systems of the Federal Reserve Board, Michael Lambert; and Deputy Assistant Director of the Office of Investigations of the United States Secret Service, Michael Merritt.









Before we take the first question, let me give you a couple of ground rules. This event will end on or before 10:30 Eastern Time. We will respond to as many questions as we can until then. If there are multiple questions that really boil down to the same issue, we will take the liberty of combining them to save time and not be repetitive.

If we don't get a chance to answer your question before the ending time, we will respond to you via a personal e-mail as quickly as possible after this event ends. You can always call our press line at 202-530-4887 with questions after the Q&A finishes. And don't worry if you didn't write that down, it's in the reminder e-mail you received this morning and at the top of the press release. I will repeat it again at the closing.

Let's begin with the questions. And while we wait for questions to stream in, I will pose a few that have come into the press line already.

Madam Treasurer, can you describe the basic security features of the \$5 bill?

Anna Escobedo Cabral: I'd love to. We, of course, have made some wonderful changes to this new \$5 bill. First and foremost, we have now two watermarks that you can found in this new \$5 bill. One to the right of the portrait of Abraham Lincoln, which is now a numeral 5 in very large size. The other is to the left of the portrait. It's actually a column of three smaller number 5s.

We've also moved the security thread which now will sit on the right of the portrait, and, of course, will repeat in an alternating pattern the letters USA and the number 5. And those are just the beginning of some of the exciting changes we've made to this brand new \$5 bill.

Penny Kozakos: Thank you very much. The next question goes to Mr. Lambert of the Federal Reserve Board. It is from Gabrielle Rusom of the Chicago Tribune. "When will the new \$5 bill be released to the public?"

Michael Lambert: Thank you. First let me thank everyone for joining and participating.

I'm happy to answer the question that the Federal Reserve will begin issuing the new designed \$5 note in early 2008.

Penny Kozakos: The next question is again for Madam Treasurer, from Ethan White of the Scholastic Kids Press Corps. "Who thinks of the new designs for the new bills?"

Anna Escobedo Cabral: It's a creative team at the Bureau of Engraving and Printing who do a wonderful job of coming up with creative designs and presenting them to a committee staffed by the Federal Reserve, Secret Service, Bureau of Engraving and Printing and the Department of Treasury who make decisions on this.









I don't know if our Director from the Bureau of Engraving and Printing would like to add to that since he works directly with this creative team.

Larry Felix: Thank you very much. In addition to the designers at the Bureau of Engraving and Printing, we have representatives from the Secret Service, from the Federal Reserve and Treasury Department that also have input.

And, more importantly, we go out to stakeholders such as people that are in the vending industry and people who use bank notes on a regular basis to ensure that their interests are being met as we design the notes.

Penny Kozakos: Thank you. The next question again is for Mr. Lambert of the Federal Reserve Board. It has come into our press line prior to the Q&A began.

"How has the government prepared the vending industry to address the needs of the vending machines so that they are ready to accept the new \$5 bill when they begin circulating?"

Michael Lambert: Thank you. I will begin providing an answer to that, and I would look to Director Felix to also add a few comments since the Bureau of Engraving and Printing has worked closely with the industry as well.

But, in fact, we do spend a fair amount of time preparing the industry, because, after all, we do want our notes to work in the machines.

The machine manufacturers are given an opportunity to adjust and update their machines in plenty of time before we issue the new notes so that the public can be sure that they can use it. So we're certainly hoping that all the machines are updated. And to that end, we have provided them with some test bills that they could use about six months in advance of the release of the notes so that they can make any changes that they find are necessary to accept the notes.

Director Felix?

Larry Felix: Thank you. In addition, one of the critical – the \$5 note is in fact a note that interfaces along with the \$1 more than any note with machine acceptance. So it's critical for us to ensure that at the point these notes enter into circulation that they be accepted at the point of sale, because there would be significant impact.

Additionally, there are some institutions, particularly public institutions, like public transit systems, that require a long budget time, a lead time to finance the upgrades. And so by unveiling the notes this early on, it gives the people who rely on bill-to-machine interface sufficient time to acquire the resources to acquire the upgrades so that once the notes enter into circulation, they will be readily accepted.









Penny Kozakos: Thank you.

The next question is for Mr. Merritt. "What makes the bill safer?"

Michael Merritt: We have seen an increase over the past decade in digitally reproduced denominations. Back in the early '90s digitally reproduced denominations, for example, those that were used by reproducing notes on a high quality printing machine or copy machine or scanners amounted to approximately 1% of all counterfeit notes generated.

Last year, they amounted to 54% of all counterfeit notes generated. So we believe these new security features on the \$5 bill do a lot to stay ahead of the counterfeiters and minimize, if not mitigate or eliminate, the ability of the counterfeiters to use these high quality copying, printing and scanning machines to reproduce genuine currency.

Penny Kozakos: Thank you very much.

The next question is for Mr. Lambert of the Federal Reserve Board. "Approximately how long do you think it will take the new \$5 bill to circulate around the world?"

Michael Lambert: First of all, there are about two billion \$5 notes in circulation. Most of these circulate within the United States. But we do know that there's some circulation patterns in other countries. The process basically that we'll use is that as the older bills make their way into the Federal Reserve system, the worn bills will be replaced with the new.

For a period of time of maybe two to three weeks from the time we begin issuing the new notes, we will issue only the new. So in terms of amount of time, it's basically the amount of time it takes a commercial bank to order with the Federal Reserve and for those notes to get to that particular country and then out to the customers of those banks.

So it shouldn't take long. It all depends on the ordering.

Penny Kozakos: Follow-up to that question that just came in. "Will the new \$5 bill go to all 12 Reserve Banks in early 2008?"

Michael Lambert: Absolutely. All the Reserve Banks will have stocks of the new \$5s and be ready to issue them.

Penny Kozakos: The next question is for Mr. Felix, Bureau of Engraving and Printing. How long is the process from start to finish to design the bill, print the bill and distribute?

Larry Felix: Well, I think the \$5 is an example of certainly an accelerated process, because, as Mr. Merritt indicated, we had to respond to something we've seen in the marketplace and had to redesign this bill pretty quickly. It took us about 18 months with









the \$5. Typically it takes a bit longer, about two years. And it really depends on the degree of security features that are incorporated into the notes.

But, increasingly, the largest portion of time is involving stakeholders, not only the government stakeholders but the other stakeholders, like people in vending and people who use bank notes, because, clearly, we have to design with their needs in mind. So, increasingly, most of the time involves coordination, getting input, getting feedback from each and every one of the stakeholders. But typically about two years.

Penny Kozakos: Follow-up to that question for Director Felix. "When was the last time you redesigned the \$5 bill?"

Larry Felix: We did the last redesign in May of 2000.

Penny Kozakos: Next question is for Mr. Merritt of the Secret Service. "How likely is the average person to get stuck with a counterfeit?"

Michael Merritt: Not very likely. The \$770 billion in circulation worldwide today, only a fraction of 1% of these bills are counterfeit.

We can give a lot of credit to a proactive three-pronged strategy that we've adopted over the years to keep counterfeiting levels at a very low level and ensure the integrity of the currency. One part of the strategy has been a very proactive, aggressive law enforcement approach. The second has been the routine redesigning of the currency every seven to 10 years. And an integral, critical part of this strategy has been educating the public.

Because even though it's very unlikely that someone would receive a counterfeit note, if in fact they do, they do suffer financial loss. So we would very much encourage the public to be aware of the new security features in the \$5 bill as was described by Treasurer Cabral, which would be the large numerical 5 to the right of the portrait, the smaller column of 5s to the left of the portrait and the security thread, which, again, with alternating USA 5 USA 5, is to the right of the portrait.

Penny Kozakos: We have several questions left, two questions left. I would encourage reporters to submit any further questions. If we do not receive any others, we will take the last question in about three or four minutes.

To the Federal Reserve Board, question for Mr. Lambert is: "How many bills are in circulation worldwide, and how many of those are \$5 bills?"

Michael Lambert: Total number of pieces of currency, if you will, are about 26 billion. Of the 26 billion, the \$5 bill represents about 2%. I'm sorry, about 8%. So about two billion \$5 bills in circulation.









One thing I would sort of like to remind folks is what we're really trying to do today is to inform the public about what they can do to protect themselves and to remind everyone about the new security features.

I'm just going to take a moment to do that here, once again to say that this new \$5 bill has got two watermarks, one that replaces the portrait watermark to the right of the portrait a large numeral font. The second is a column of three small 5s to the left of the portrait of Abraham Lincoln. Both of these features are completely and clearly visible when you hold the note up to light. And we also have moved the security thread to the right of the portrait of Abraham Lincoln so that the public can easily verify what is genuine currency.

Penny Kozakos: Thank you. The next question is for Mr. Felix of the Bureau of Engraving and Printing. "How much does the currency redesign cost?"

Larry Felix: That's a big question. It really depends on the denomination. I suppose I can answer it this way: That trust and acceptance of the United States currency is in fact, there is no cost to it, because everything we can do to continue to protect the integrity of an acceptance of our currency means that we've done – it's worth whatever we do.

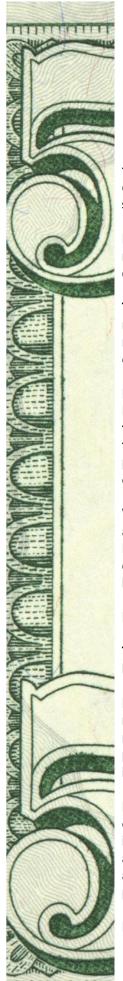
I will say, however, that typically redesigns cost relatively a couple hundred thousand dollars in terms of actual features. In the case of the 5, it's pretty much on the lower end because the features that we're putting in the 5 are capabilities that already exist either within our production and manufacturing or within our paper mill.

It's just a matter of using those existing features. So it's relatively inexpensive when compared to the value of trust and acceptance and the integrity of U.S. currency.

Penny Kozakos: Thank you. The next question is for Madam Treasurer: "What is the incentive for people to authenticate their currency?"

Anna Escobedo Cabral: Thank you for the question. It's actually quite important that people are aware of the changes we've made to currency so they can determine what is a genuine bill and what is not. Because ultimately, although the cost is very small in terms of the larger economy, because we've done such a good job and the percentages, as Mr. Merritt has indicated, are very low relative to currency in circulation. For the individual who accepts a counterfeit bill, the loss is entirely theirs.

If they take a counterfeit \$5 bill, they lose \$5. For a family, that's often a significant amount of money. If it occurs more than it should, then the loss is great. And so we encourage them to understand the changes that we've made. We've worked hard to make sure that the changes in design are very easy to use, very easy to authenticate a bill. Again, it's a matter of holding this bill up to the light, looking for the two watermarks. The large 5 on the right, the small column of 5s on the left and the security









thread again to the right of the President's portrait. Very easy to use, and we're going to continue to make those types of changes every seven to 10 years on the various notes so we can stay ahead of counterfeiters.

Penny Kozakos: Thank you very much. For those who have joined us in the last few minutes, we are still taking questions. Please feel free to submit your questions in the question box on your screen.

The next question is for Mr. Lambert of the Federal Reserve Board. "When the redesigned currency was introduced, the other notes were said to be the most secure notes in history. However, the fakes began to show immediately. How effective has the currency redesign been?"

Michael Lambert: We believe that the design has been very effective. In fact, the Federal Reserve statistics show that counterfeiters are – counterfeits are being detected fewer at the Reserve Banks which suggests to us that people are so much more aware of the features to protect themselves, and they're actually detecting it earlier in the process. By the time it gets to a Reserve Bank at all, investigative leads for law enforcement are lost.

We think it's been very effective in that the public is learning and understanding more about the important features that we spend a lot of time thinking about to protect them. Nonetheless, I think it's important to remind everyone that it just takes a few seconds to check your notes, and that you need to be looking for these security features. And the likelihood of you actually accepting a counterfeit note is far less.

Penny Kozakos: Thank you.

The next question for Mr. Felix of the Bureau of Engraving and Printing. "Will the \$100 bill or \$1 bill be redesigned?"

Larry Felix: We will not redesign the \$1s. In fact, the reason is there are almost seven million deployed units in the United States that accept the \$1 bill. And having to redesign the \$1 would have a significant impact on the economy and the business people that use the \$1s. And so we've made a determination to leave the \$1 exactly as it is.

In terms of the \$100, we clearly intend to redesign the \$100. It is in fact – over 60% of our bank notes circulate outside our borders. The majority of it is the \$100. And we intend to continue to protect the bank note, and in fact we believe we need to add additional security layers to the \$100. So we are in the midst of redesigning the \$100 and we expect that we will sometime next year be able to unveil that to the American public as well.

Penny Kozakos: Thank you.









The next question is for Mr. Merritt of the Secret Service from Reuters. "What are the estimated costs of counterfeiting to the economy?"

Michael Merritt: I think to answer that question I'd like to give two statistics: One is that the Secret Service, in partnership with our foreign law enforcement counterparts, last year were able to seize \$53 million before they were passed into circulation. However, \$65 million were in fact passed into circulation and resulted in the arrest of 3,945 suspects involved in counterfeiting.

That would be \$62 million seized in the United States and the \$65 million figure would be worldwide. Again, we rely on the public to become more knowledgeable with their currency.

I'd like to go back to a question that was asked of Mr. Lambert. Yes, you will probably in all likelihood see a little increase in counterfeiting right after the introduction of the note. Quite frankly, the counterfeiters are shrewd, and they use the opportunity to take advantage of a public that is not yet familiar with the new security features in this new denomination, the new \$5 bill, to in fact prey upon innocent civilians. I'd like to encourage you all, the reporters and the press in general, to spread the good word to the public to educate themselves about the new security features and prevent a loss.

Penny Kozakos: Thank you very much.

And again I'd like to remind those of you who joined late, we are still taking questions. Please submit your questions in the question window and hit "submit."

The next question will go to Mr. Felix of the Bureau of Engraving and Printing. "What machine-readable features are in the \$5 bill design?"

Larry Felix: Because the \$5 in fact is designed with machine-readable capabilities in mind, we've put a number of layered features in there. But I'd prefer not to talk about them other than the people who need to know them know they exist.

I will say that in one of the elements we've clearly thought about was they need hard lines. Machines need fairly hard lines to be able to detect or begin detecting a pattern, and then we put features in someplace inside the note keeping it pretty specific, constant space from the edge of where the note is.

So when we were designing the note, we literally knew we had to have very hard, sharply defined lines and keep those features very, very constant so that the machines will be able to detect them. But I'd prefer not to go into those machine-readable features.

Penny Kozakos: Thank you very much. The next question is for -









Larry Felix: I would add that we have added a feature on the back of the note. In fact, continue to add a feature on the back of the note that we hope people will use to assist people with vision impairment. That is a new feature on the back of the note and we changed them for each denomination.

Penny Kozakos: Thank you.

The next question is for Mr. Merritt of the Secret Service. "What is bleaching and is that why you are redesigning the money?"

Michael Merritt: Bleaching is one of the methods that the counterfeiters use to reproduce and counterfeit genuine U.S. currency. What it involves is taking a lower denomination bill, in most examples either the \$1 bill or the \$5 bill, bleaching it, removing all the ink from it, and then printing a higher denomination bill on that existing paper.

It was very common, because of similar security features in the previous \$5 bill, to bleach the \$5 bill and then print the 100 denomination on that bill. That is because in the previous \$5 bill, the security thread was to the left of the portrait, very similar to the \$100 denomination bill. And the watermark was similar, on the old \$5 bill was similar to the placement of the watermark on the \$100 bill.

So that is one of the advantages of these new security features with the 5 that would eliminate this process by having the large numerical 5 to the right of the portrait on the new \$5 bill, the smaller three aligned numerical 5s to the left of the portrait and the security thread to the right of the portrait with alternating 5 USA 5 USA. Is it the only reason that the \$5 bill is being redesigned? Absolutely not.

Again, in cooperation with the Department of Treasury, the Federal Reserve and the Bureau of Engraving and Printing, we do redesigned notes every seven to 10 years. But that is one reason why. Again, it's to stay ahead of the counterfeiters and be proactive and protect the integrity of the currency.

Penny Kozakos: Thank you very much.

The next question is a follow-up from Reuters to the previous one for Mr. Merritt. "Want to confirm the 54 million seized last year before being passed into circulation. What was the significance of the \$65 million figure, and were counterfeit dollars in fact passed into circulation?"

Michael Merritt: That is correct. If you can hold up that sign for me so I can see. Let me clarify my earlier response. Yes, \$54 million in counterfeit currency was seized before being passed into circulation. In other words, ourselves, with our foreign law enforcement counterpart, seized currency either at the plant where it was being printed or prior to being circulated to the public.









The \$65 million figure is significant in that that is the amount of money that was actually passed that people suffered a loss worldwide. Domestically, again, that figure would be \$62 million.

But, again, in terms of the \$770 billion of genuine currency in circulation, this amounts to a fraction of a percent of counterfeit currency in circulation. So the public again should still be very confident knowing that the currency they're receiving is genuine and that we're doing our best we can to maintain the integrity of that currency.

Penny Kozakos: Thank you. The next question will go to Mr. Lambert of the Federal Reserve Board. "Is this currency redesign part of an effort to keep up with the Euro?"

Michael Lambert: No, it's not. There is no competition from our perspective with any currency in the world. In fact, we've worked with the European Central Bank closely on a number of issues to combat sort of global counterfeiting.

So I think really, for us, every country has to understand what its threats are and find solutions to protect the public for us. We've redesigned this "5 in a way that we think will do just that; that if the public takes a few moments to use the security features of this note, that they will be able to protect themselves.

So as a reminder, I would encourage everyone to remind your readers that the security features include these two new watermarks, and they're clearly visible when held up to light. See the large numeral 5 to the right of the portrait, the smaller 5, column of smaller 5s to the left of the portrait of Abraham Lincoln, and the security thread to the right of the portrait.

I'd also say that as part of the New Color of Money series, we have color in this note, which we're really very excited about. And that what you'll see is a light purple to gray stars and purple around the portrait of Abraham Lincoln and the Great Seal of the United States, which I think is just a fabulous addition to this note to the right of the portrait.

Penny Kozakos: Thank you very much.

Mr. Lambert, again, "You have always said the existing currency won't be demonetized. Is that still true?"

Michael Lambert: That is true. The Federal Reserve has never devalued, demonetized its currency and has absolutely no plans to do so. So all of the previous design notes will continue to be good.

And we believe that the security features of those notes are still good security features for people to use. What we're doing now is learning from our experience and enhancing









the security features to make it even easier for the public to use these features to protect themselves.

Penny Kozakos: Thank you very much.

And this will be our last question, and it will go to the Treasurer of the United States. "Why is the public education effort so aggressive and why is that so important?"

Anna Escobedo Cabral: Well, it's absolutely important. The public really is the first line of defense against counterfeiters. And the educated public is one that can determine very quickly what is an authentic bill, what is not. That's why these features that we've been able to unveil today are designed to be easily used.

Again, if you're looking at a \$5 bill, you hold it up to the light, you'll find to the right a brand new watermark that replaces the old face of Abraham Lincoln with a large numeral 5. On the left side, you'll find a smaller column of smaller numeral 5s, three of them, in particular. To the right of the portrait we've relocated the security thread and you'll see the words USA 5 repeated intermittently. Those are important features.

I wanted to add to Michael's description. I think truly this is a beautiful new \$5 bill with its addition of color and the seal, the Great Seal of the United States.

But on the reverse side you'll see that we've added a very large purple 5 on the lower right-hand corner which we hope will also help those who have difficulties with their vision in terms of determining very quickly the denomination of this note.

Of course, the good news is you can get lots of information about these changes to the \$5 as well as other denominations by visiting our website, which is, of course, www.moneyfactory.gov/newmoney. We have information available in as many as 20 different languages. I do encourage the public to go on to visit, to take a look at this beautiful new \$5. The website I think just unveiled it in a very attractive way and lots of material for the public to get ahold of.

Penny Kozakos: While that was our last question, we got one just in from the Chicago Tribune, and it is a follow-up. Please clarify: "On the older \$5 bill, was there just one watermark?"

Larry Felix: There was just one watermark and there was the security thread. It was the watermark of President Lincoln. As the Treasurer just stated, we've now replaced them with two watermarks, both with the numerals, the large one, and another column of three 5s.

Penny Kozakos: Thank you very much. Thank you all for participating in our first-ever on-line press conference. For more information about the new \$5 bill please visit the Redesigned Currency website, www.moneyfactory.gov/newmoney, or call our press line









at 202-530-4887 with any follow-up question or one-on-one interview requests that you may have.

On behalf of the United States Department of the Treasury, the Bureau of Engraving and Printing, the Federal Reserve Board and the United States Secret Service, thank you for joining us this morning. Have a good day.